

A Liberal Actor in a Realist World the European Union Regulatory State and the Global Political Economy of Energy (Oxford University Press Oxford 2015) ISBN 9780198719595

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Abstract

This contribution reviews the book entitled "*A Liberal Actor in a Realist World The European Union Regulatory State and the Global Political Economy of Energy*" authored by Andreas Goldthau and Nick Sitter. It was published by Routledge in 2015.

Keywords

Energy; energy regulation; climate change.

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Review

The changing landscape of politics in the world has influenced energy regulation not only in national states but also in regions.¹ Subsequent to the publication of this book, the Paris Agreement on Climate Change came into effect on 4 November 2016,² and Britain voted to leave the European Union. The book was published before these events were foreseen but it remains as relevant as it was on its date of publication, not only for Europe but also for other parts of the world where regional relationships are shaping energy regulation.³ The book provides important insights into the international political economy of energy, which are important for scholars of international and regional energy law. It provides theoretical and practical insights into energy regulation at this level with a specific focus on energy security (chapter 3), oil (chapter 4), gas (chapter 5) and climate change (chapter 6).

The book departs from the premise that the European Union (EU) is "a liberal actor by design", where the state is but one actor amongst many.⁴ According to the authors, the EU "rests on the assumption that international relations can be governed by law, and that international institutions matter" – the EU is to be regarded as a regulatory state.⁵ It is therefore a regulatory state when it acts within the confines of the EU, and when it participates in the international energy arena it is a liberal actor.⁶

The EU regards energy as a commodity and promotes privatisation of the energy markets, while other role players such as Russia and China regard energy as a tool "in geopolitical power games".⁷ It seems that nation states move towards regarding energy and energy security as strategic goods that should be handled by states and no longer as a commodity or something to be subject to privatisation – the world becomes more realist in this regard.⁸

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¹ See for example IRENA 2013 http://www.irena.org/documentdownloads/publications/africa_renewable_future.pdf; Ruppel and Althusmann *Perspectives on Energy Security*; Barnard "Access to Bio-energy" 320-341.

² UNFCCC 2014 http://unfccc.int/paris_agreement/items/9444.php.

³ In the African context, see the work of the African Union on infrastructure and energy (AU Date Unknown <http://www.au.int/en/ie>).

⁴ Goldthau and Sitter *Liberal Actor in a Realist World* 2.

⁵ Goldthau and Sitter *Liberal Actor in a Realist World* 2.

⁶ Goldthau and Sitter *Liberal Actor in a Realist World* 8.

⁷ Goldthau and Sitter *Liberal Actor in a Realist World* 3-4.

⁸ Goldthau and Sitter *Liberal Actor in a Realist World* 3-6.

The book's central thesis is therefore "that – in the world of energy – the EU remains a liberal actor, even as the world turns more realist".⁹

Climate change is seen as a "global problem that cannot be solved by one state". The authors state:

In public policy terms, climate change can be considered as a "common pool" problem in the sense that no state can be excluded from raiding the common resources (in this case depleting clean air by emitting GHGs). Each state therefore has an incentive to let other states carry the costs (by reducing emissions), while all share equally the benefits that result from some actors' restraint (i.e. mitigating climate change).

The climate change measures that have been introduced have made the world of energy more realist, in the words of the authors:¹⁰

The state is back, both with a view of securing energy supplies and production, and with regard to the imperative of curbing GHG emissions. Energy has re-emerged as a tool of foreign policy and statecraft. The idea of the market as the incumbent governance mechanism has clearly become contested, along with the whole liberal paradigm for international trade.

The authors argue that although the world has changed, the EU has not – it has remained a liberal actor; and they therefore pose the question "What does a liberal regulatory state actor do in a realist world?"¹¹ The book interrogates how the EU uses its "regulatory policy toolbox to address global energy problems" - in other words, outside its own jurisdiction.¹²

Chapter 2 of the book is a theoretical chapter that addresses the changing international political economy (IPE) of energy, which became an academic field subsequent to the oil crisis of 1973.¹³ According to the authors IPE is an analytical tool that "offers an inclusive approach to understanding the complex dynamics between structure, power, and authority, because of the importance it assigns to markets".¹⁴ They discuss the changing paradigms of neo-liberalism and the shift from the state to the market,¹⁵ as well as the changing power structures over three eras.¹⁶ Goldthau and Simmer indicate three trends that have the potential to transform the IPE of energy in future,

⁹ Goldthau and Sitter *Liberal Actor in a Realist World* 3.

¹⁰ Goldthau and Sitter *Liberal Actor in a Realist World* 6.

¹¹ Goldthau and Sitter *Liberal Actor in a Realist World* 6.

¹² Goldthau and Sitter *Liberal Actor in a Realist World* 6-8.

¹³ Goldthau and Sitter *Liberal Actor in a Realist World* 14.

¹⁴ Goldthau and Sitter *Liberal Actor in a Realist World* 15.

¹⁵ Goldthau and Sitter *Liberal Actor in a Realist World* 19-21.

¹⁶ Goldthau and Sitter *Liberal Actor in a Realist World* 21-23.

namely supply security, price shocks and climate change.¹⁷ They conclude:¹⁸

[T]he IPE of energy is multi-level and spans from the global to the regional and domestic levels. It is multi-sectoral and comprises oil, gas, and "carbon." It is multi-actor and includes governments, state agencies, international organizations, and public as well as private companies. It is strongly influenced by ideational factors but also by shifting power structures among energy producers and energy consumers. And it is a field in flux, with important new trends such as climate change, the rise of new producer and consumer heavyweights, and a return of interventionist policies reshaping global energy relations.

Chapter 3 deals with the EU regulatory state and energy security. The authors first address the EU regulatory state approach to public policy in energy with regard to designing, ordering and maintaining markets,¹⁹ and then discuss the EU as a regulatory state actor with regard to its preferences and decision-making,²⁰ competition policy, market regulation and infrastructure.²¹

Chapter 4 deals with the oil markets and global market failures. Despite the market's becoming realist, the EU seems to remain a liberal actor and "approach[es] oil entirely through a liberal paradigm".²²

Chapter 5 discusses gas markets from the perspective of market failures and "asymmetric power in the near abroad". Gas is seen as a regional commodity based on long-term contracts, as against oil, which is a global commodity.²³ Norway, Russia and Algeria supply gas to European states. The United Kingdom has also benefitted by the arrangements and liberalised its markets. The world has changed with the shale gas revolution, and new markets have emerged providing liquefied natural gas (LNG).²⁴ The European Commission makes use of rules to regulate the international gas trade and may negotiate treaties especially with regard to gas pipelines, such as the Energy Charter Treaty of 1994, which has been followed by subsequent treaties and directives.²⁵ The authors conclude that the EU addresses the changing political arena of gas by combining "a series of multilateral efforts to build new rule-based regimes or to modify existing

¹⁷ Goldthau and Sitter *Liberal Actor in a Realist World* 23-29.

¹⁸ Goldthau and Sitter *Liberal Actor in a Realist World* 30.

¹⁹ Goldthau and Sitter *Liberal Actor in a Realist World* 34-40.

²⁰ Goldthau and Sitter *Liberal Actor in a Realist World* 40-44.

²¹ Goldthau and Sitter *Liberal Actor in a Realist World* 44-46.

²² Goldthau and Sitter *Liberal Actor in a Realist World* 67.

²³ Goldthau and Sitter *Liberal Actor in a Realist World* 68.

²⁴ Goldthau and Sitter *Liberal Actor in a Realist World* 71-74.

²⁵ Goldthau and Sitter *Liberal Actor in a Realist World* 74-88.

ones" and by undertaking "bilateral, or even unilateral, initiatives with a view to making existing markets operate better".²⁶ The EU's strategy and actions are therefore liberal.²⁷

Chapter 6 addresses the carbon challenge, namely to deal with the externalities of energy markets in relation to climate change. The authors reach the conclusion that the "EU interprets the climate challenge as the world's biggest, and most serious, market failure – a public policy problem that merits action both at home and at a global level", but remains a global liberal actor in Europe and externally.²⁸ In chapter 7 it is argued that "in pursuit of its international policy goals related to energy" the EU emerges as "an actor in its own right", termed "Regulatory Power Europe".²⁹ The authors address the EU's power, policy tools and targets,³⁰ followed by a discussion on its power in IPE.³¹

In chapter 8 the authors answers their initial research question and conclude that "in spite of the changes to the IPE of energy, the EU has maintained its liberal profile and grand strategy".³²

As indicated before, the book is not written for political economists interested in energy markets only. It is a book that should be read by legal academics and scholars working in the field of international and regional energy law in order that they may understand the dynamics of IPE that shapes the field of energy regulation and law beyond the scope of national states.

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²⁶ Goldthau and Sitter *Liberal Actor in a Realist World* 89.

²⁷ Goldthau and Sitter *Liberal Actor in a Realist World* 90.

²⁸ Goldthau and Sitter *Liberal Actor in a Realist World* 104.

²⁹ Goldthau and Sitter *Liberal Actor in a Realist World* 107.

³⁰ Goldthau and Sitter *Liberal Actor in a Realist World* 109-116.

³¹ Goldthau and Sitter *Liberal Actor in a Realist World* 116-121.

³² Goldthau and Sitter *Liberal Actor in a Realist World* 125.

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List of Abbreviations

AU	African Union
EU	European Union
GHG	Greenhouse gases
IPE	International politics of energy
IRENA	International Renewable Energy Agency
LNG	Liquefied natural gas
UNFCCC	United Nations Framework Convention on Climate Change